

66th

Business Report

Credit Saison Co., Ltd. Business Report

66th Fiscal Term (April 1, 2015 - March 31, 2016)



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1ポイント=ほぼ5円

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.com

SAISON
CARD
INTERNATIONAL





“Neo Finance Company in Asia” Realize innovation and business model change

June 2016

Hiroshi Rinno, President and CEO

Dear Shareholders:

We hereby report the business results for the 66th fiscal term (April 1, 2015 - March 31, 2016).

As an issuer of cards bearing the leading global brand AMEX, we endeavored to expand our consolidated customer base and transaction volume in the card business including credit card joint ventures by showcasing our sole premium brand, broadly promoting the Saison American Express® Card lineup ranging from platinum cards for business owners to affinity cards for partner merchants.

As for initiatives to lock in settlements in the corporate market, we worked to expand the scope of cashless settlements for intercompany transactions by providing support for the reduction of expense settlement workloads, combining our corporate cards with the cloud-based corporate expense settlement system Concur. Further, in partnership with Money Forward, Inc., we added credit card settlement services to MF Cloud Seikyusho, a cloud-based invoicing software for corporate transactions.

As for initiatives to expand the scope of settlements, we sought to establish new earnings sources by bolstering the advancement of international prepaid cards with a view to expanding our business in the ASEAN markets. These include the commencement of the issuance of cards bearing the China UnionPay branded NEO MONEY prepaid card for travelers abroad and overall membership administration under consignment for the Osaifu Ponta prepaid cards issued by LAWSON, INC.

At the same time, we have been working to diversify our earning capacity to include sources that are not dependent on the card business. These efforts involved investing in FinTech start-ups through the corporate venture capital fund Saison Ventures Co., Ltd., building up the balance of lease investment assets and credit guarantees, and promoting Flat 35 and asset formation loans. We also established Monex-Saison-Vanguard Investment Partners, Inc., which provides asset management services online using cutting edge information technology.

Additionally, we pushed ahead with the preparation of a foundation for a medium- to long-term overseas strategy, forming joint ventures with local companies in Vietnam and Indonesia in order to expand into Asia's non-bank market.

As a result of the foregoing, Credit Saison cardmembers numbered 25.61 million and Credit Saison Group cardmembers including credit card companies with which we have a capital tie-up totaled 35.7 million as of the end of fiscal 2015.

Consolidated operating revenue was up 4.2% year on year to ¥269.919 billion, consolidated ordinary income grew 0.3% year on year to ¥43.802 billion due to provision for loss on interest repayment, and consolidated profit surged 107.2% year on year to ¥26.163 billion.

As a leading-edge service company, we will continue to provide the optimum solutions to all individuals and companies through strategic tools in diverse business segments, adopting “Neo Finance Company in Asia” as the midterm business vision. Further, we will ensure competitiveness by making changes to the existing business model through innovation rather than continue along the current lines and take on the challenge of becoming a peerless new finance company in Asia by drawing on the know-how accumulated in Japan to push forward with the retail finance business in the region.

Lastly, I would like to ask for our shareholders' continued use of the Saison and UC cards as well as their unchanging support for Credit Saison.



Card Business

Expanding the Customer Base and Transaction Volume

We worked in close collaboration with partner merchants to boost enrollment for affinity cards, such as Saison American Express® Card and Mitsui Shopping Park Card Saison. As a result, new cardmembers increased 10.5% year on year to 2.62 million and active cardmembers increased 1.3% from the previous fiscal year-end to 14.77 million. As an initiative to expand card transaction volume, we implemented several measures. These included the revitalization of card use mainly at shopping malls, supermarkets and other partner merchants, as well as the enhancement of the appeal of using revolving credit repayment plans and, in the case of salaried workers, seasonal bonuses to pay down outstanding debts. In addition, we promoted cashless payment by encouraging card use for the payment of hometown tax scheme (furusato nozei), property taxes, automobile taxes and other taxes. As a result, card shopping transaction volume grew 4.1% year on year to ¥4,258.2 billion and the card shopping revolving credit balance increased 14.8% from the previous fiscal year-end to ¥338.7 billion.

Promotion of Prepaid Cards and Cashless Settlement

To the product lineup comprising NEO MONEY and the COCOKARA CLUB CARD offered with our partner cocokara fine Inc., we added the Azalea Card offered in partnership with Kawasaki Azalea in March 2016 and the Point & Prepaid Picoca provided in partnership with ALPICO HOLDINGS Co., Ltd. in April the same year. In terms of cards administered under consignment from other card companies, the Osaifu Ponta issued by LAWSON, INC. and the Entetsu Card (point & prepaid card) issued by Shizugin Saison Card Co., Ltd. in partnership with Entetsu Group were added in November 2015 to the list comprising the au WALLET card from WebMoney Corp. and the Softbank Card from Softbank Payment Service Corp. Cashless settlement is making headway in the cash market as indicated by the fact that, for example, more than 30 million prepaid cards have been issued in total.

Provision of Solutions that Match Corporate Needs

With our company-wide corporate marketing system reinforced, we are working to move various kinds of corporate payments to cashless settlements by forming operation tie-ups with companies providing corporate solutions, such as Concur Japan, Ltd. and Money Forward, Inc. In addition, we are promoting the issuance of corporate cards, corporation cards, Saison Platinum Business American Express® Card, and other cards for companies and individual proprietors. As a result of assisting companies and individual proprietors reduce their expense settlement workloads, the number of corporate cards issued increased 31% year on year and card transaction volume grew 15% year on year.



Overseas Business

Overseas Business

We are speeding up our business expansion overseas and embarking upon full-scale entry into retail finance in the fast-growing ASEAN markets, which we expect to be future pillars for growth. In Vietnam, we began the operation of HD SAISON Finance Company Ltd., entering into a comprehensive capital tie-up with Ho Chi Minh Development Joint Stock Bank. We are expanding our earnings by placing more than 5,000 business offices throughout Vietnam, focusing mainly on the consumer installment credit business involving products such as motorcycles and home appliances. In Indonesia, we will be entering the prepaid market and the lease market by jointly establishing PT. Saison Modern Finance with PT. Modern International Tbk., which operates the 7-Eleven franchise in the country. Furthermore, in Singapore, we are investing in Matchmove Pay Pte. Ltd., a company offering virtual prepaid card services allowing for the completion of settlement procedures using nothing more than a mobile terminal.



Realization of Diversity Management

We have established the Saison Work Life Design Department, a cross-organizational department led by child-rearing employees, as a way of "reforming the mode of work" to plan and operate our own curation site SAISON CHIENOWA as well as implement initiatives to improve the quality of work both on the organizational and individual levels. Further, we are enhancing diversity management, with a view to achieving an organization where each employee is able to perform to his or her fullest potential, by introducing measures that include training programs specifically designed for women, career support for women through interaction, such as opinion exchange, with other companies, and adoption of morning shifts.

Work Life Design

Change for progress.

Targeting all kinds of corporations and individuals as customers, we will achieve growth while playing a leading role in our ever-changing society by leveraging the combination of our diverse strategic resources.

Social Contribution Activities

Credit Saison provides support for Kyoto University's Center for iPS Cell Research and Application, Kanagawa Prefecture's Animal Protection Center Construction Fund, and relief efforts relating to the May 2015 earthquake in Nepal and the February 2016 earthquake in southern Taiwan through donation activities based on Eikyufumetsu Points and credit card payments. We also conduct nature conservation activities involving the operation of Akagi Nature Park and provide support for sports and other cultural activities as a part of our social contribution activities. Further, we contribute to the economic development of Asia by participating in cross-border education programs such as Quest Career, which seeks to deepen mutual understanding between Japanese companies and Vietnamese students on working and the way of life.



CSR



Internet Business

Internet Business

We sought to increase Internet members, who form the basis of our Internet business, in order to enhance profitability and develop new business. As a result, the number of Internet members grew 11.6% from the previous fiscal year-end to 12.51 million. Appeals at Saison Counters and on the Credit Saison website led to a rise in the number of smartphone app downloads from the Saison Portal and the UC Portal, contributing to the promotion of the use of Internet services overall. In June 2015, Credit Saison established Saison Ventures Co., Ltd., the first corporate venture capital fund in Japan's card sector, in order to work on building a business model based on the further strengthening of partnerships through investment in and collaboration with newly established early-stage startups that are creating cutting-edge and groundbreaking services or technologies.



Finance Business

Lease & Rental

We provide finance leases, business-use installment sales, and rentals for office automation (OA) equipment, communication equipment, LED lighting, and the like in accordance with the capital investment plans of business operators. While leveraging to the fullest our strengths of credit assessment know-how and speed in setting credit limits, we strove to reinforce our trust-based relationships with existing mainstay partners through implementation of joint campaigns, etc. and to strengthen our marketing to new priority partners. This resulted in the balance of receivables held to increase 1.3% from the previous fiscal year-end to ¥281.6 billion.

Credit Guarantee

Centering on guarantees for non-secured personal multi-purpose loans, we work in close cooperation with partner financial institutions in terms of both sales and administration, while endeavoring to establish a meticulously planned collaboration structure comprising measures ranging from implementing financial product study sessions to promoting the provision of personal loans. In addition to simple application procedures and quick screening, these loans are popular because of their versatility, as they can be used for business finance and a range of other purposes. The business is expanding with the number of partner financial institutions standing at 392, up 10 compared with the previous fiscal year-end, and the balance of credit guarantees increased 13.7% from the previous fiscal year-end to ¥297.9 billion.

Finance

We bolstered our support for home purchases by adding to the Flat 35 product lineup Saison Home Assist Loan, which is designed to meet the need for funding to cover various expenses associated with home purchases. Rapid credit screening, flexibility in responding to customer needs, and the sense of reassurance we have cultivated through our card businesses were recognized, resulting in the loan balance after the transfer of receivables to the Japan Housing Finance Agency (JHF) climbing 25.3% from the previous fiscal year-end to ¥355.6 billion. As for Saison Asset Formation Loans, the strengthening of collaboration with our partners through study sessions and product features customized to market needs resulted in the loan balance surging 86.4% from the previous fiscal year-end to ¥126.2 billion.

Credit Saison will continue to support Japanese national soccer teams

Since 2001, Credit Saison has been a corporate supporter of the Japanese national soccer teams that compete on the world stage. We support SAMURAI BLUE men's team, U-23 Japan National Team, and various other national soccer teams through efforts which include joint promotions with Japan Airlines Co., Ltd. (JAL) and offers of special items available only to cardmembers in exchange for Eikyufumetsu Points. We also help children who aspire to be future representatives on Japan's national soccer teams by implementing "national flagbearer," "Welcome Kids," and other youth programs.



Starting lineup in the Men's National Team playing Syria in Round 2 of the ©JFA/2018 FIFA World Cup Russia Asia qualifiers, which also serve as the AFC Asian Cup UAE 2019 Qualifiers (March 29, 2016)



Starting lineup in the Men's National Team playing Ghana in the ©JFA/MS&AD Cup 2016 (May 11, 2016)

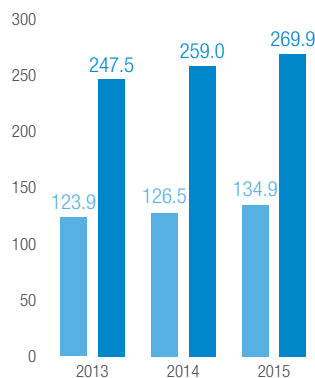


Credit Saison is a supporter of Japanese national soccer teams.

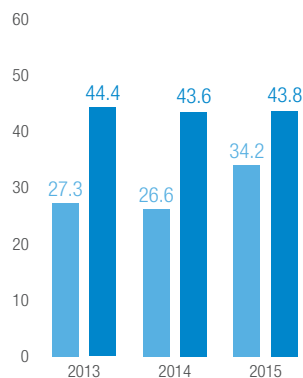
Financial Data

Operating Results

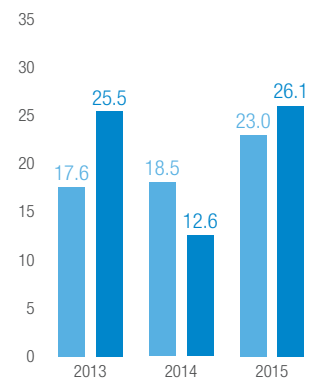
Operating revenue



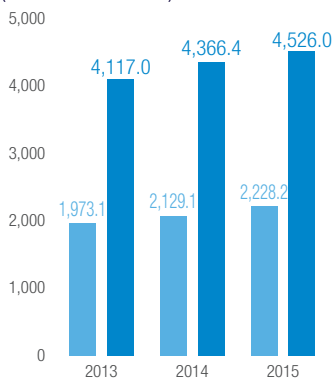
Ordinary income



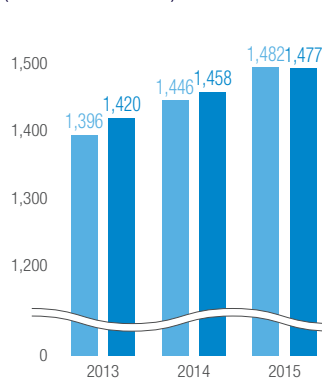
Profit attributable to owners of parent



Card transaction volume (Non-consolidated)



Active cardmembers (Non-consolidated)



During the 66th fiscal year (fiscal 2015) in Japan, Credit Saison sought to realize a cashless society through initiatives designed to offer a broader selection of settlement methods that match both individual and corporate needs. In Asia, we aggressively worked on building foundations that enable sustainable growth through efforts which included embarking upon full-scale entry into retail finance. As for operating revenue, thanks to our efforts to solicit enrollment for affinity cards in close collaboration with partner merchants, the number of active cardmembers increased, causing card shopping transaction volume to grow 4.1% year on year to ¥4,258.2 billion and the card shopping revolving credit balance to increase 14.8% from the previous fiscal year-end to ¥338.7 billion.

Further, we accumulated quality assets in the finance business by drawing on the strength of our product features that address diverse funding needs, ranging from personal multi-purpose loan guarantees and home purchases to asset formation. As a result, operating revenue increased 4.2% year on year to ¥269.9 billion.

Reflecting operating expenses, which include an increase in costs linked to growth in card transaction volume and a transfer to provision for loss on interest repayment in preparation for the future, ordinary income grew 0.3% year on year to ¥43.8 billion and profit attributable to owners of parent increased 107.2% year on year to ¥26.1 billion.

Corporate Data

Stock Information

(As of March 31, 2016)

Common Stock Authorized	300,000,000 shares
Common Stock Outstanding	185,444,772 shares
Number of Shareholders	12,049

Major Shareholders (Top 10)

Name	Equity stake	
	Number of Shares (thousands)	Ownership Percentage (%)
The Master Trust Bank of Japan Ltd. (trust account)		
Japan Trustee Service Bank Ltd. (trust account)		
JP MORGAN CHASE BANK 385632		
STATE STREET BANK AND TRUST COMPANY		
THE TACHIBANA SECURITIES CO., LTD.		
Mizuho Bank Ltd.		
Japan Trustee Service Bank Ltd. (trust account 9)		
BNYML-NON TREATY ACCOUNT		
Trust & Custody Services Bank, Ltd. (securities investment trust account)		
Trust & Custody Services Bank, Ltd. (collateral on unit trust account)		

*1. 22,032,263 treasury shares held by Credit Saison are not included in the above list of major shareholders.

*2. The ownership percentage is calculated based on the number of shares outstanding excluding treasury shares.

Corporate Information

(As of March 31, 2016)

CREDIT SAISON CO., LTD.

Incorporated:	May 1, 1951
Paid-in Capital:	¥75,929 million
Number of Employees:	2,163 In addition, Average Number of Non-regular Employees: 1,523 (in 7.75 hours/day equivalent)
Head Office:	52F Sunshine 60 Bldg., 1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-6073, Japan
Major Businesses:	<ul style="list-style-type: none"> • Credit Service Segment (credit card business, servicing (loan collection agency) business, etc.) • Lease Segment (lease business) • Finance Segment (credit guarantee business and finance-related business) • Real Estate-Related Segment (real estate business and real estate leasing business, etc.) • Entertainment Segment (amusement business, etc.)

Board of Directors and Audit & Supervisory Board Members

Chairman and Representative Director	Teruyuki Maekawa	Director	Yoshihisa Yamamoto
President and CEO	Hiroshi Rinno	Director	Tatsunari Okamoto
Executive Vice President and Representative Director	Naoki Takahashi	Director	Masako Takeda
Senior Managing Director	Hiroshi Yamamoto	Director (Outside)	Yasuhiro Ueno
Senior Managing Director	Masahiro Yamashita	Director (Outside)	Reiko Yonezawa
Managing Director	Sadamu Shimizu	Standing Audit & Supervisory Board Member (Outside)	Yoshitaka Murakami
Managing Director	Katsumi Mizuno	Standing Audit & Supervisory Board Member (Outside)	Masaru Sakurai
Director	Kazuhiro Hirase	Audit & Supervisory Board Member	Yoshiro Yamamoto
Director	Akihiro Matsuda	Audit & Supervisory Board Member (Outside)	Chie Kasahara

Shareholders' Notes

Fiscal Year:	Period beginning on April 1 and ending on March 31 of the following year
Ordinary General Meeting of Shareholders:	Convened each year in June
Record Date:	Ordinary general meeting of shareholders and year-end dividend payments - March 31 Should any other record date be required, a public notice will be issued in advance.
Transfer Agent and Administrator of Special Accounts:	Sumitomo Mitsui Trust Bank Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Administrative Office of Transfer Agent:	Stock Transfer Agency Business Department, Sumitomo Mitsui Trust Bank Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
(Mailing Address)	Stock Transfer Agency Business Department, Sumitomo Mitsui Trust Bank Limited, 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan
(Telephone Inquiries)	0120-782-031 (9:00-17:00 excluding weekends and holidays)
(URL)	http://www.smtb.jp/personal/agency/index.html
Method of Public Notice:	Electronic notice (Credit Saison website http://corporate.saisoncard.co.jp)
Stock Listing:	Tokyo Stock Exchange
Securities code:	8253

[Notice of Address Change, etc. and Inquiries Relating to Shares]

Shareholders who have an account with a securities company are asked to contact the relevant securities company regarding address change and other notices, as well as inquiries. Shareholders who do not have an account with a securities company are asked to call the number indicated above for telephone inquiries.

[Special Accounts]

For shareholders who were not using the "Hofuri" system (Japan Securities Depository Center, Inc.) prior to the introduction of the electronic share certificate system, an account (special account) has been opened at Sumitomo Mitsui Trust Bank Limited above as the transfer agent. Inquiries on special accounts should be directed to the transfer agent at the number indicated above for telephone inquiries.